

0075
N.M. Oil Cons. DIV-Dist. 2
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
1301 W. Grand Avenue
Artesia, NM 88210

FORM APPROVED
OMB NO. 1004-0137
Expires March 31, 2007

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM53219
1b. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Nearburg Producing Company		7. Unit or CA Agreement Name and No.
3a. Address 3300 N A St., Bldg 2, Suite 120, Midland, TX 79705	3b. Phone No. (include area code) 432/686-8235	8. Lease Name and Well No. McKittrick Hills 1 Fed #3
4. Location of Well (Report location clearly and in accordance with any State requirements)* At surface 710 FSL and 1705 FWL, Sec 1-22S-24E At proposed prod. zone 660 FSL and 660 FWL, Sec 1-22S-24E		9. API Well No. 30-015-33876
14. Distance in miles and direction from nearest town or post office* 10 miles West of Carlsbad		10. Field and Pool, or Exploratory Indian Basin; Upper Penn. Ass
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) 660		11. Sec., T., R., M., or Blk. and Survey or Area Sec 1, 22S, 24E
16. No. of Acres in lease 2235.37		12. County or Parish Eddy
17. Spacing Unit dedicated to this well S/2 of Section 1		13. State NM
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 70'		20. BLM/BIA Bond No. on file NM1307
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3851		22. Approximate date work will start* 12/15/04
		23. Estimated duration 30 days

24. Attachments

Carlsbad Controlled Water Basin

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <i>Sarah Jordan</i>	Name (Printed/Typed) Sarah Jordan	Date 10-15-04
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Title Production Analyst		
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Approved by (Signature) <i>/s/ Maria Ketson</i>	Name (Printed/Typed) <i>/s/ Maria Ketson</i>	Date DEC 29 2004
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Title FOR FIELD MANAGER	Office CARLSBAD FIELD OFFICE
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Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

Nearburg Producing Company
3300 North "A" Street, Building 2, Suite 120
Midland, Texas 77905

The undersigned accepts all applicable terms, conditions, stipulations and restrictions covering operations conducted on the leased land or portion thereof, as described below:

Lease No: NMNM53219

Legal Description of Land: SHL: Unit N, 710 FSL and 1705 FWL, Sec 1-22S-24E
BHL: Unit M, 660 FSL and 660 FWL, Sec 1-22S-24E
Eddy County, New Mexico

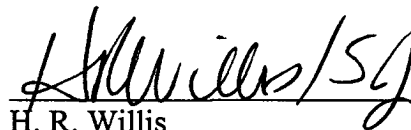
Formation(s) (if applicable): Upper Penn, Associated

Bond Coverage: \$25,000 statewide bond of Nearburg Producing Company

BLM Bond File No: NM1307

10.15.04

Date



H. R. Willis

Drilling Manager

DISTRICT I

1626 N. FRENCH DR., HOBBS, NM 88240

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised JUNE 10, 2003

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

OIL CONSERVATION DIVISION

Submit to Appropriate District Office

1220 SOUTH ST. FRANCIS DR.

State Lease - 4 Copies

Fee Lease - 3 Copies

Santa Fe, New Mexico 87505

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code 33685	Pool Name Indian Basin; Upper Penn, Ass.
Property Code	Property Name MCKITTRICK HILLS 1 FEDERAL	Well Number 3
OGRID No. 015742	Operator Name NEARBURG PRODUCING COMPANY	Elevation 3851'

Surface Location

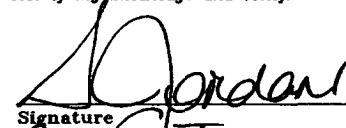
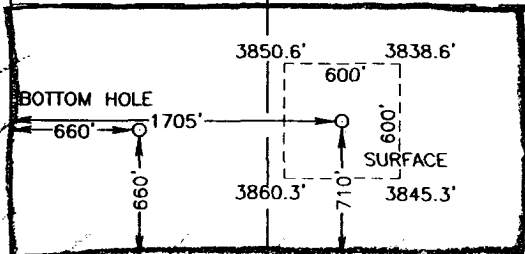
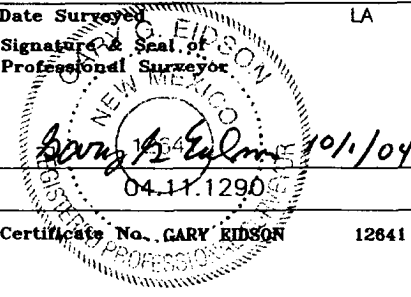
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	1	22-S	24-E		710	SOUTH	1705	WEST	EDDY

Bottom Hole Location If Different From Surface

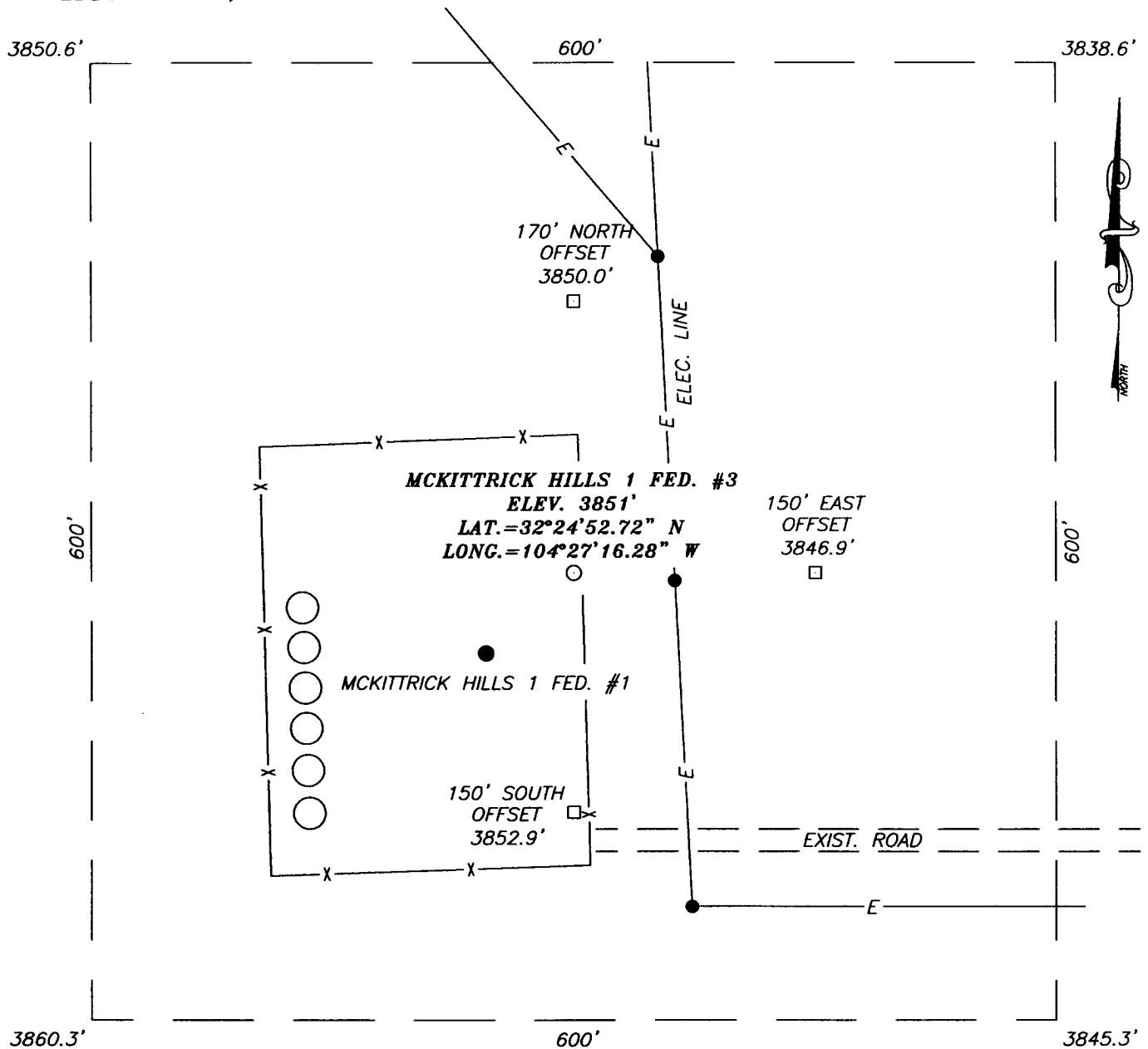
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	1	22-S	24-E		660	SOUTH	660	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

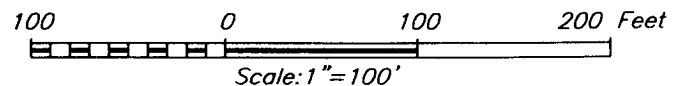
LOT 4 52.05 AC	LOT 3 51.77 AC	LOT 2 51.55 AC	LOT 1 51.68 AC	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.  Signature Sarah Jordan Printed Name Prod. Analyst Title 10-15-04 Date
GEODETIC COORDINATES NAD 27 NME BOTTOM HOLE LOC. Y=514528.8 N X=461557.1 E				
				SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief. SEPTEMBER 30, 2004 Date Surveyed Signature & Seal of Professional Surveyor  Certificate No. GARY EIDSEN 12641
GEODETIC COORDINATES NAD 27 NME SURF. LOC. Y=514583.1 N X=462602.1 E LAT.=32°24'52.72" N LONG.=104°27'16.28" W				

SECTION 1, TOWNSHIP 22 SOUTH, RANGE 24 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF U.S. HWY 285 AND CO. RD. #406 (WATER HOLE RD) GO SOUTHWEST ON CO. RD. #406 FOR APPROX. 2.0 MILES TO A LEASE ROAD GOING SOUTH-SOUTHWEST. TURN LEFT AND GO APPROX. 6.0 MILES. TURN RIGHT AT A FORK AND GO WEST APPROX. 0.5 MILES TO THE NEARBURG MCKITTRICK HILLS 1 FED. #1 WELL. THIS LOCATION IS EAST OF EXISTING WELL APPROX. 70'.



NEARBURG PRODUCING COMPANY

MCKITTRICK HILLS 1 FED. #3 WELL
 LOCATED 710 FEET FROM THE SOUTH LINE
 AND 1705 FEET FROM THE WEST LINE OF SECTION 1,
 TOWNSHIP 22 SOUTH, RANGE 24 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.

PROVIDING SURVEYING SERVICES
 SINCE 1946
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 393-3117

Survey Date: 9/30/04	Sheet 1 of 1 Sheets
W.O. Number: 04.11.1290	Dr By: LA
Date: 10/1/04	Disk: CD#3
04111290	Scale: 1"=100'

**ATTACHMENT TO FORM 3160-3
MCKITTRICK HILLS 1 FEDERAL #3
SHL: 710 FSL AND 1705 FWL
BHL: 660 FSL AND 660 FWL
SECTION 1, T22S, R24E
EDDY COUNTY, NEW MEXICO**

DRILLING PROGRAM

1. GEOLOGIC NAME OF SURFACE FORMATION

Artesia GP

2. ESTIMATED TOPS OF IMPORTANT GEOLOGIC MARKERS

Bone Spring	3000'
Wolfcamp Shale	7500'

3. ESTIMATED DEPTHS OF ANTICIPATED FRESH WATER, OIL, OR GAS

Cisco/ Canyon	8000'
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4. CASING AND CEMENTING PROGRAM

<u>Casing Size</u>	<u>From</u> <u>To</u>	<u>Weight</u>	<u>Grade</u>	<u>Joint</u>
9-5/8"	0' – 1,500'	36#	J55	STC
7"	0' – 8,600'	23 & 26#	K55, N80	LTC & BTC

Equivalent or adequate grades and weights of casing may be substituted at time casing is run, depending on availability.

We plan to drill a 14-3/4" hole to equal 1500'. 9-5/8" casing will be cemented with 700 sxs Class "C" or volume necessary to bring cement back to surface.

8-3/4" hole will be drilled to 8,600' and 7" production casing will be cemented with approximately 1000 sxs of Class "H" cement circulated to surface.

MCKITTRICK HILLS 1 FEDERAL #3

Page 2

5. MINIMUM SPECIFICATIONS FOR PRESSURE CONTROL

The BOP stack will consist of a 3,000 psi working pressure, dual ram type preventer and annular.

A BOP sketch is attached.

6. TYPES AND CHARACTERISTICS OF THE PROPOSED MUD SYSTEM

Spud and drill to 1500' with fresh water mud for surface string. The production section from 1,500' to 8,600' will be 8.3 ppg Fresh Water system with mud weight sufficient to control formation pressures.

7. AUXILIARY WELL CONTROL AND MONITORING EQUIPMENT

None required.

8. LOGGING, TESTING, AND CORING PROGRAM

DLL/CNL/LDT/CAL/GR logging is planned. Drill stem tests, cores and sidewall cores are possible.

9. ABNORMAL CONDITIONS, PRESSURES, TEMPERATURES & POTENTIAL HAZARDS

None anticipated.

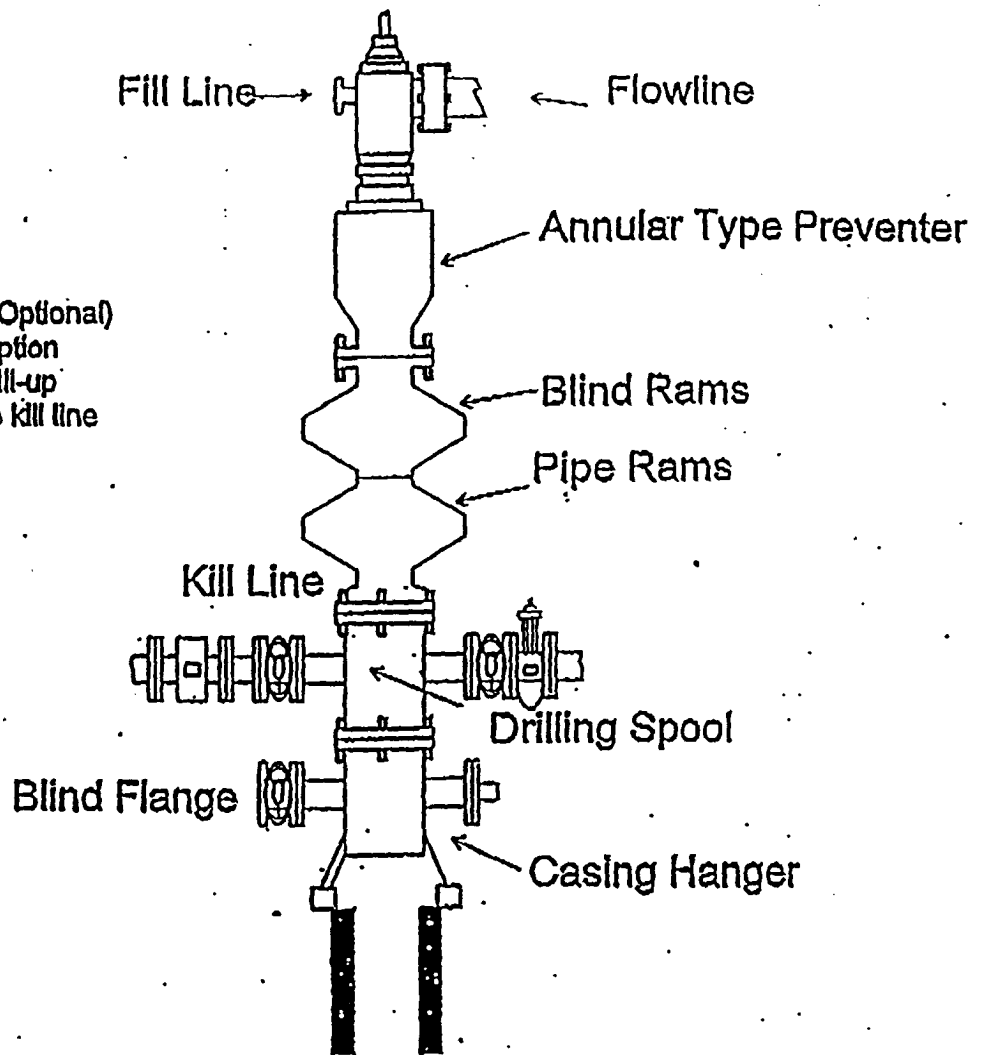
BHP expected to be 1,100 psi.

10. ANTICIPATED STARTING DATE:

Is planned that operations will commence on December 15, 2004 with drilling and completion operation lasting about 30 days.

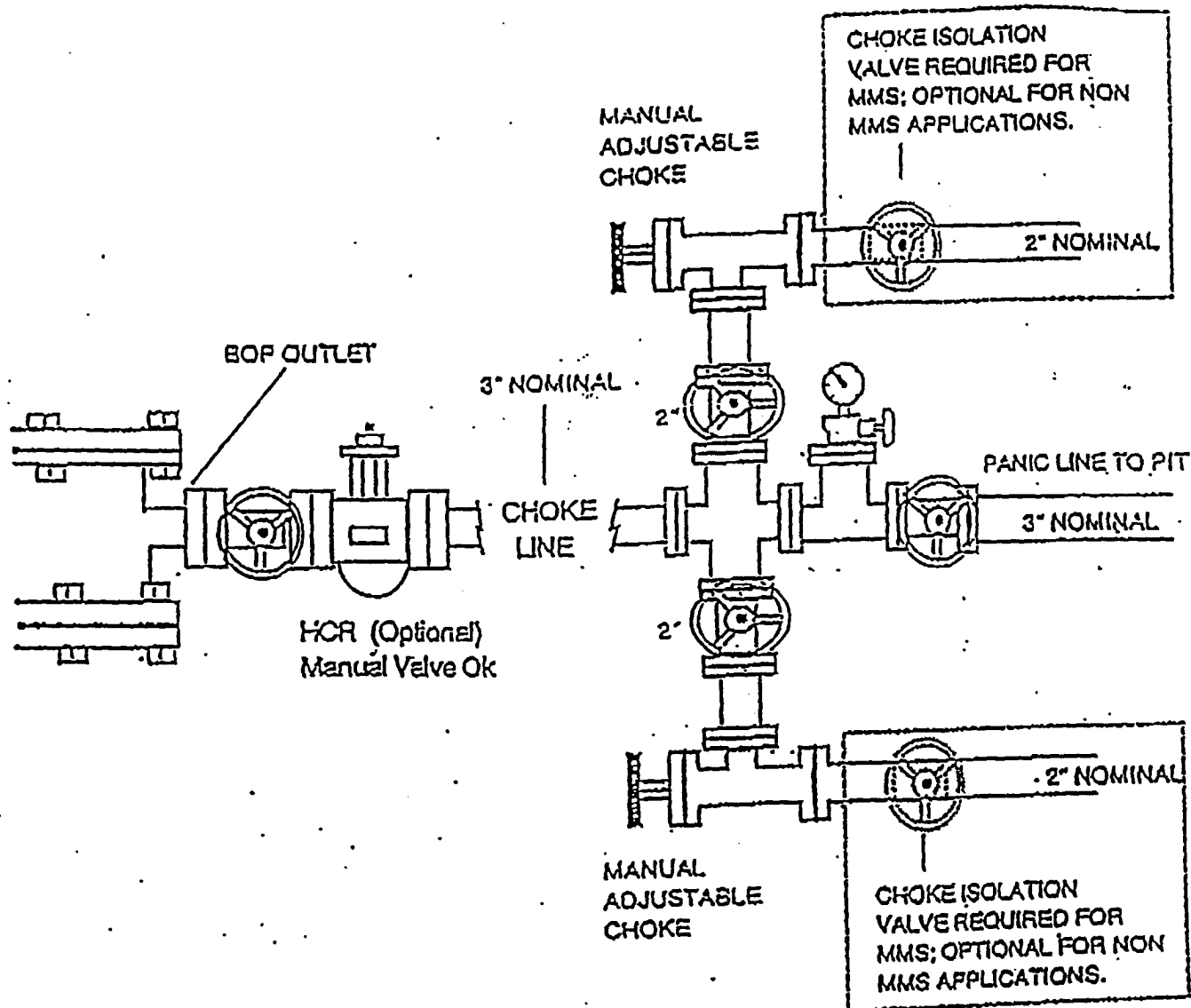
BOPE SCHEMATIC

Rotating Head (Optional)
Drilling Nipple option
must include a fill-up
line. Do not use kill line
for fill up.



1500 Series

SEARBURG PRODUCING COMI V"
CHOKE MANIFOLD
5M SERVICE



**HYDROGEN SULFIDE DRILLING OPERATIONS PLANS
NEARBURG PRODUCING COMPANY
McKITTRICK 11 FEDERAL #3**

1. HYDROGEN SULFIDE TRAINING

- A. All regularly assigned personnel, contracted or employed by Nearburg Producing Company, will receive training from a qualified instructor in the following areas prior to commencing drilling potential hydrogen sulfide bearing formations in this well:
 - 1. The hazards and characteristics of hydrogen sulfide (H₂S).
 - 2. The proper use and maintenance of personal protective equipment and life support systems.
 - 3. The proper use of H₂S detectors, alarms, warning systems, briefing areas, evacuation procedures and prevailing winds.
 - 4. The proper techniques for first aid and rescue procedures.
- B. In addition, supervisory personnel will be trained in the following areas:
 - 1. The effects of H₂S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
 - 2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
 - 3. The contents and requirements of the H₂S Drilling Operations Plan.
- C. There will be an initial training session just prior to encountering a known or probable H₂S zone (within 3 days or 500 feet) and weekly H₂S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H₂S Drilling Operations Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

HYDROGEN SULFIDE DRILLING OPERATIONS PLANS

PAGE 2

2. H2S SAFETY EQUIPMENT AND SYSTEMS

Note: All H2S safety equipment and systems will be installed, tested and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonably expected to contain H2S.

A. Well Control Equipment:

1. Flare line with continuous pilot.
2. Choke manifold with a minimum of one remote choke.
3. Blind rams and pipe rams to accommodate all sizes with properly sized closing unit.
4. Auxiliary equipment to include: annular preventer, mud-gas separator, rotating head and flare gun with flares as needed.

B. Protective Equipment for Essential Personnel:

Mark II Surviveair 30-minute units located in the dog house and at briefing areas, as indicated on well site diagram.

C. H2S Detection and Monitoring Equipment:

1. Two portable H2S monitors positioned and location for best coverage and response. These units have warning lights and audible sirens when H2S levels of 20 ppm are reached.
2. One portable SO2 monitor positioned near flare line.

D. Visual Warning systems:

1. Wind direction indicators as shown on well site diagram.
2. Caution/Danger signs shall be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used when appropriate. See example attached.

HYDROGEN SULFIDE DRILLING OPERATIONS PLANS
PAGE 3

E. Mud Program

1. The Mud Program has been designed to minimize the volume of H₂S circulated to the surface. Proper mud weights, safe drilling practices and the use of H₂S scavengers will minimize hazards when penetrating H₂S bearing zones.
2. A mud-gas separator will be utilized as needed.

F. Metallurgy

All drill strings, casing, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and line and valves shall be suitable for H₂S service.

G. Communication

1. Cellular telephone communications in company vehicles and mud logging trailer.
2. Land line (telephone) communications at area office.

H. Well Testing

Drill stem testing will be performed with a minimum number of personnel in the immediate vicinity, which are necessary to safely and adequately conduct the test. The drill stem testing in an H₂S environment will be conducted during the daylight hours.

WARNING

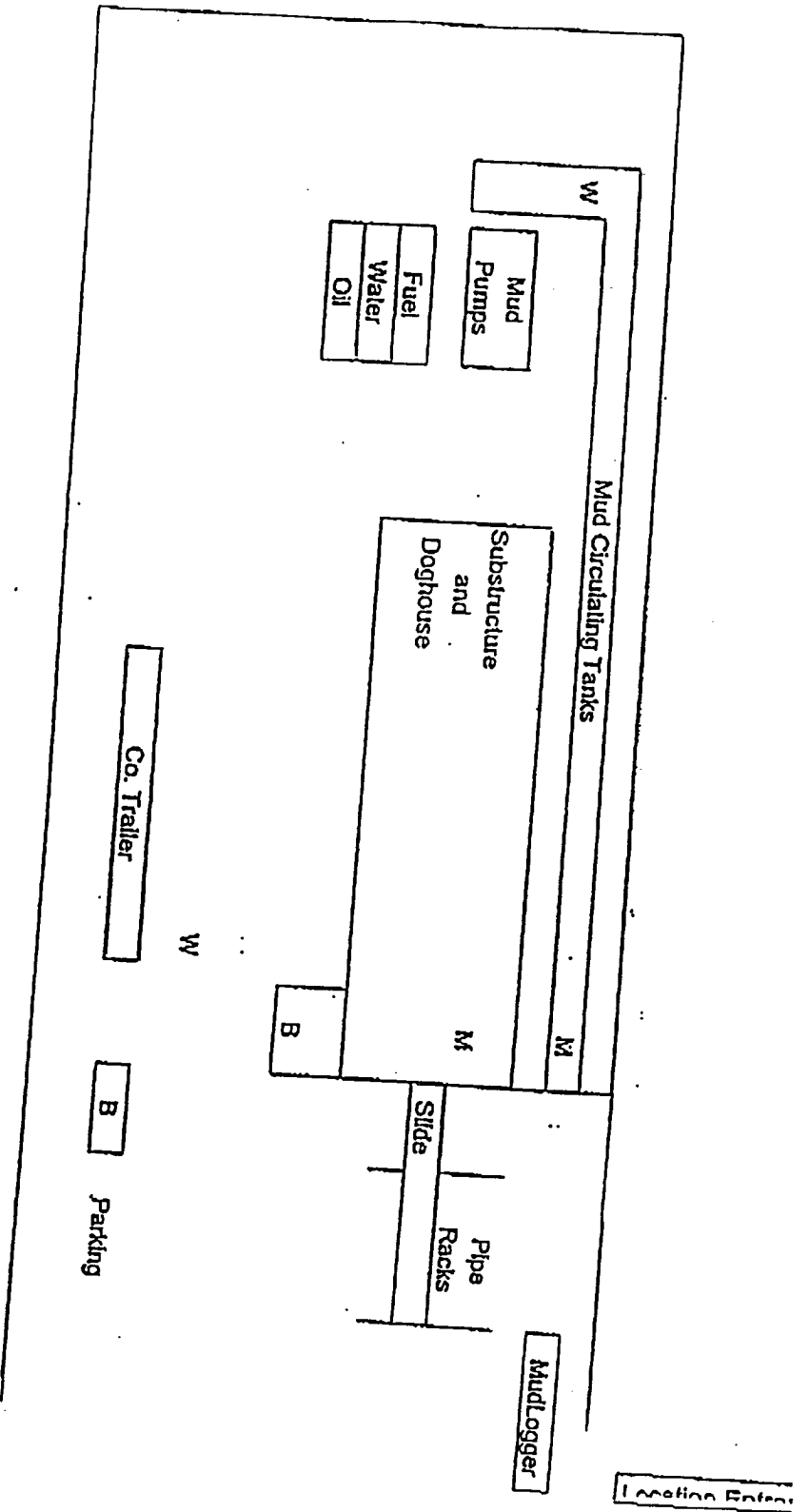
**YOU ARE ENTERING A H2S AREA
AUTHORIZED PERSONNEL ONLY**

1. BEARDS OR CONTACT LENSES NOT ALLOWED
2. HARD HATS REQUIRED
3. SMOKING IN DESIGNATED AREAS ONLY
4. BE WIND CONSCIOUS AT ALL TIMES
5. CHECK WITH NEARBURG SUPERINTENDENT AT MAIN OFFICE

NEARBURG PRODUCING COMPANY

(432) 686-8235

OPERATIONS LOCATION PLAN



M - H2S Monitors with alarms at bell nipple and shale shaker

W - Wind Direction Indicators

B - Safe Briefing areas with caution signs and protective breathing equipment.
Minimum 150' from wellhead.

Prevailing Wind Directions: Summer - South/Southwest
Winter - North/Northwest